

Contract Oversight Capabilities of the Defense
Department's Combined Security Transition
Command – Afghanistan (CSTC-A)
Need Strengthening



May 19, 2009

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May 19, 2009

General David Petraeus, USA
Commander, U.S. Central Command

General David McKiernan
Commander, U.S. Forces Afghanistan

General Richard P. Formica
Commanding General, Combined Security Transition Command – Afghanistan

This report examines the capacity of the Combined Security Transition Command – Afghanistan (CSTC-A) to oversee contracting issues such as monitoring contractor performance. This Command, in conjunction with the Government of the Islamic Republic of Afghanistan and U.S. coalition partners, is the Department of Defense Command responsible for the management of U.S. programs to develop capable Afghanistan National Security Forces. As part of this management responsibility, we believe that CSTC-A needs to provide effective oversight of contractor performance. This is important to ensure that funds are being used as intended to support the mission and to protect the taxpayer's interests. We are recommending that the Commanding General, CSTC-A, strengthen the Command's contracting oversight capabilities. CSTC-A concurred with our recommendation and said that it is acting to establish proper contract management and oversight processes.

A summary of our report is on page 2. The audit was conducted by the Office of the Special Inspector General for Afghanistan Reconstruction under the authority of Public Law 110-181, as amended, the Inspector General Act of 1978, and the Inspector General Reform Act of 2008. We considered comments from CSTC-A on a draft of this report, when preparing the final report. A copy of CSTC-A's written comments is included in Appendix I of this report.

If you have any questions about this report, please contact me at (703) 602-3812 or john.brummet@sigar.mil.

A handwritten signature in black ink that reads "John Brummet". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

John Brummet
Assistant Inspector General for Audits
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SIGAR RESULTS

What SIGAR Reviewed

The Department of Defense has received about \$18 billion in funds for Afghanistan reconstruction, largely for security assistance to the Afghanistan National Security Forces (ANSF). The Combined Security Transition Command – Afghanistan (CSTC-A), in conjunction with the Government of the Islamic Republic of Afghanistan and U.S. coalition partners, is the joint command responsible for the management of U.S. programs to develop capable Afghanistan National Security Forces (ANSF). This report examines CSTC-A's capacity to oversee contracting issues, such as monitoring contract performance. We conducted our review from February to April 2009, at CSTC-A, where we reviewed documents and interviewed officials responsible for contracting issues. We focused our audit work on CSTC-A's oversight of a \$404 million contract that provides training and training support for the ANSF in 17 locations throughout Afghanistan. Our work was conducted in accordance with generally accepted government auditing standards. This report is the first in a series of SIGAR reports on the use and management of reconstruction funding for Afghanistan.

What SIGAR Found

Based on our review of CSTC-A's oversight of a large training contract, we found that CSTC-A lacks effective contract oversight capabilities. U.S. government agencies are responsible for ensuring that U.S. funds are expended effectively, efficiently, and in accordance with U.S. laws. Although CSTC-A is responsible for the management of training programs for the ANSF, it does not have mechanisms necessary to ensure that U.S. funds are managed effectively and spent wisely. Because of its presence in Afghanistan, CSTC-A is in a unique position to play an important role in contract oversight. Moreover, CSTC-A bears responsibility for knowing how program funds are used—it must ensure the funds are used as intended, both to accomplish the mission and to protect the interests of the taxpayer. To do so, CSTC-A staff trained in contractor oversight need to visit sites where the contractor is providing services, and verify that the services are meeting the mission and are consistent with contract specifications. SIGAR found that this is not happening. CSTC-A has one contracting officer's technical representative—located in Afghanistan—for contract oversight purposes. However, that official has limited contracting experience and training and has been unable to make field visits to monitor contractor performance. Lack of oversight increases the likelihood that training funds may not be used as intended. We believe that oversight of this contract should include periodic field visits by qualified staff to monitor contractor performance.

What SIGAR Recommends

To improve U.S. government oversight of contracts used to provide training and training support for the Afghan National Security Forces, SIGAR recommends that CSTC-A strengthen its contracting oversight capabilities. In doing so, CSTC-A should obtain staff that has the training and experience in contract oversight to do this work, and it should develop a program for contract oversight that includes visits to the field where the contractor is providing services. CSTC-A concurred with the recommendation and said that it is acting to establish proper contract management and oversight processes.

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Abbreviations

ANSF	Afghan National Security Forces
CSTC-A	Combined Security Transition Command–Afghanistan
SIGAR	Special Inspector General for Afghanistan Reconstruction

OBJECTIVES AND SCOPE

The Combined Security Transition Command – Afghanistan (CSTC-A), in conjunction with the Government of the Islamic Republic of Afghanistan and U.S. coalition partners, is the Command that is primarily responsible for the management of the \$15 billion in U.S. programs supporting the effort to develop capable Afghanistan National Security Forces (ANSF).¹ This report examines CSTC-A's contract oversight capabilities.

This report is the first in a series of SIGAR reports on the use and management of U.S. funds for reconstruction, stabilization, and development in Afghanistan. We anticipate issuing future reports that will focus on other U.S. agencies' and offices' control and management of reconstruction funds.

We focused our work on CSTC-A's oversight of a \$404 million contract for providing training and training support for the ANSF, which takes place in 17 locations throughout Afghanistan. We reviewed documents and interviewed officials at CSTC-A, including funding and disbursement records, and discussed program operations with the CSTC-A leadership group, its financial management officials, and program management officials. We conducted work in Kabul, Afghanistan, from February to April 2009. In addition, we discussed our observations with the Contracting Officer for the \$404 million contract who is assigned to the U.S. Army Research and Development and Engineering Command Contracting Center in Maryland. Our work was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We performed this work under the authority of Public Law 110-181, as amended, the Inspector General Act of 1978, and the Inspector General Reform Act of 2008.

BACKGROUND

Since 2001, the United States Congress has provided more than \$32 billion to carry out reconstruction, stabilization, and development activities in Afghanistan. The funds have been allocated to various agencies, including the Departments of Defense and State, the U.S. Agency for International Development, and other agencies. The Defense Department has received the majority of these funds, which account for about \$18 billion. Most of this amount, over \$15 billion, is to provide security assistance to the Afghanistan National Army and the Afghanistan National Police. These funds are provided through the Afghanistan Security Forces Fund, which was authorized by Congress in the Afghan Freedom Support Act of 2002.² In July 2005, the Defense Department and U.S. coalition partners established CSTC-A to manage programs and projects authorized under the Fund.

Within CSTC-A, the Combined Joint-7, Force Integration and Education group (CJ-7), is responsible for identifying the training requirements and needs for the development of the

¹The ANSF consists of the Afghan National Army and the Afghan National Police.

²P.L. 107-327, December 4, 2002

Afghanistan National Army and Police Forces. The Combined Joint-8 (CJ-8) is responsible for maintaining the financial records and tracking authorized, committed, and the expended funds for the Command.

CSTC-A Lacks Contract Oversight Capabilities

Based on our review of CSTC-A's oversight of a large training contract, we found that CSTC-A lacks effective contract oversight capabilities. Under this contract, CSTC-A has provided more than \$404 million to the contractor for training and training support services.³ This contract will expire in October 2009. CSTC-A plans to have another contract to provide similar training and training support after that date and it estimates that the new contract will cost more than \$800 million over the next five years.

U.S. government agencies are responsible for ensuring that U.S. funds are expended effectively, efficiently, and in accordance with U.S. laws. This requires establishing mechanisms to verify the use of funds by its contractors, and to minimize the risk of waste, fraud, and abuse. U.S. government contracting guidelines, such as the Federal Acquisition Regulations and the Defense Federal Acquisition Regulations, establish the roles and responsibilities for contract oversight, including responsibilities for contracting officers and contracting officer's representatives. Program managers are also responsible for ensuring the effective use of U.S. funds, and therefore, also have a role in providing oversight of contractor performance. The guidance and good program management practices highlight the importance of on-the-ground oversight to verify contractor performance and effective use of U.S. funds.

One way to provide oversight of contracts is to appoint a contracting officer's representative. According to Department of the Army guidance, contracting officer's representatives should be qualified individuals appointed by the contracting officer to assist in the technical monitoring or administration of a contract.⁴ The guidance stipulates that the designated representative must be a Government employee and possess the necessary training and experience commensurate with the responsibilities delegated to them. The guidance states that for a contract of any complexity, the representative should have extensive duties including:

- monitoring the contractor's progress and performance, including verifying that the contractor has performed the technical and management requirements of the contract in accordance with the contract terms, conditions, and specifications;
- performing, or causing to be performed, all necessary inspections, including documenting the inspection and reporting on performances of services rendered under the contract;
- verifying that the contractor has corrected all correctable deficiencies;
- certifying receipt of supplies/services provided by the contractor;
- maintaining liaison and direct communications with both the contractor and the contracting officer; and

³We are not naming the contractor in this report because we did not assess the contractor's performance and we have no evidence to suggest how well the contractor has performed. The focus of this review was on the contract oversight provided by CSTC-A.

⁴*Contracting Officer's Representative Deskguide.*

- reporting any instance of suspected conflict of interest or fraud, waste, and abuse.

The Contracting Officer for the \$404 million contract is located in the United States at the U.S. Army Research and Development and Engineering Command Contracting Center in Maryland, which is nine time zones from contractor performance locations. The contracting officer's representatives for this contract are located at the U.S. Army Security Assistance Command in New Cumberland, Pennsylvania. The Contracting Officer told us that U.S. Army Security Assistance Command officials have made several visits to Afghanistan to check contractor performance. However, the Contracting Officer agreed that having a contracting officer's representative at CSTC-A, located in near proximity to where the contract services are provided, would allow for better oversight of the contract. To enhance oversight, the Contracting Officer appointed a contracting officer's technical representative to provide in-country contract oversight of the \$404 million contract. Assigning someone in Afghanistan to oversee performance of this contract was a good step, in our opinion, to enhance contract oversight. The Contracting Officer for this contract agreed that CSTC-A should have a qualified contractor officer's representative, as well as program managers, to oversee contractor performance.

We found that assigning one contracting officer's representative in the field did not provide the degree of oversight that is needed to ensure that funds are used as intended. The person assigned this duty has limited contracting experience, and is on a 6-month assignment to Afghanistan. According to CSTC-A, this person has taken the required contractor officer's representative training but CSTC-A acknowledged that additional training is needed. This assigned contracting officer's representative told us that visits to training sites are not performed; therefore contractor performance is not effectively monitored. Because of other duties, this official does not have time to make field visits. In addition, because some of the training sites are located far from Kabul, availability of transportation resources is also a factor that makes it difficult to perform field visits to oversee contractor performance.

Military officials from both CSTC-A CJ-7 and CJ-8 informed us that primary feedback on contract performance is obtained from U.S. military personnel located at the training sites. In commenting on a draft of this report, CSTC-A stated that it relies on military mentors who work with the Ministries of Defense and Interior to verify that services have been provided. The officials said the personnel on-site are quick to report if the contractors are not providing expected training. However, they said, these personnel are not knowledgeable of specific contract terms, nor are they trained in contract oversight responsibilities. These officials acknowledged that CSTC-A has limited oversight for the \$404 million training and training support contract we focused on in this review.

There would be an added benefit from strengthening contract oversight capabilities at CSTC-A. Not only would this improve contract oversight, but it would also provide CSTC-A with in-house contracting expertise. CSTC-A, CJ-7 officers had been tasked to prepare a contract bid solicitation for the new training and training support contract which will be valued at over \$800 million. The CJ-7 officers told us that they do not have contracting experience, and have relied on the internet for basic information on contract preparation and solicitation in order to identify the requirements. These officers noted that, absent in-house contracting expertise, their replacements at CSTC-A CJ-7 will undergo a similar learning experience.

Although CSTC-A is responsible for the management of programs and projects authorized under the Afghanistan Security Forces Fund, which includes this \$404 million contract, CSTC-A does not have mechanisms necessary to ensure that U.S. funds are managed effectively and spent wisely under this contract. We believe that the absence of field visits by qualified contracting oversight personnel, in this case the single contracting officer's representative located in Afghanistan, puts U.S. funds at risk of waste and misuse. For example, the Office of the Inspector General for the State Department found that a contractor in Iraq was inaccurately stating the number of personnel it had in country to perform contract services.⁵ Without strong contractor oversight capabilities within the agency or command responsible for the management of the program, there is a risk of this happening in Afghanistan. Periodic visits by qualified contracting personnel to sites where the contractor is providing services would verify that training and training support services are provided in accordance with contract requirements. This would allow CSTC-A to determine if there are problems with the contractor's performance and take corrective action to ensure U.S. funds are spent in accordance with contract requirements.

CONCLUSIONS

Having effective contractor oversight capabilities in Afghanistan would enable CSTC-A to improve its overall program management, while enhancing the monitoring of the use of these funds for contractor services. Our work shows that CSTC-A's oversight of a \$404 million contract is limited, and that as a result, CSTC-A lacks assurances that U.S. funds are being spent in accordance with contract requirements. Without strong oversight, payments to contractors will be based primarily on a contractor having reported that it has met requirements specified in the contract. The absence of periodic field visits by qualified contracting oversight personnel puts U.S. funds at risk of waste or abuse. We believe that CSTC-A bears responsibility for assisting in contract oversight, given its location in Afghanistan and its responsibilities for overall program management. Both the Contracting Officer at the U.S. Army Research and Development and Engineering Command Contracting Center in Maryland and the Director of CSTC-A, J-8, agreed that CSTC-A needed to strengthen its contract oversight capabilities. This is particularly important in view of CSTC-A's plan to contract for additional training services, which are estimated to cost more than \$800 million.

RECOMMENDATION

To improve U.S. government oversight for the service contracts used to provide training and training support for the Afghan National Security Forces, SIGAR recommends that CSTC-A strengthen its contracting oversight capabilities. In doing so, CSTC-A should:

- obtain the management staff that has the qualifications and training to do this work, and
- develop a program for contract oversight that includes visits to the field where the contractor is providing services.

⁵Office of the Inspector General, Department of State, *Agreed-Upon Procedures of Daily Direct Labor, Aerial Support Equipment and Indirect Expense Rates Proposed by Blackwater Security Consultants, Incorporated, Contractor's Accounting System & Timekeeping Procedures*, AUD/IQO-05-13, January 2005.

COMMENTS

CSTC-A provided written comments on a draft of this report, which are included in appendix I. CSTC-A said that, in general, it concurs with the information in our report. CSTC-A stated that it is providing oversight of contractor activities but acknowledged that this oversight does not meet contracting requirements. CSTC-A said it is acting to establish proper contract management and oversight processes and that it views our report as a mechanism to help it obtain the required resources. CSTC-A also provided technical comments which we have incorporated in the report where appropriate.

(This report was conducted under the audit project code SIGAR-002A)

Appendix I: Comments from Combined Security Transition Command – Afghanistan

SIGAR DRAFT REPORT

"Contract Oversight Capabilities of the Defense Department's Combined Security Transition Command -Afghanistan (CSTC-A) Need strengthening"

SIGAR Report 09-1

CSTC-A COMMENTS TO THE DRAFT REPORT

RECOMMENDATION 1.

To improve U.S. government oversight for the service contracts used to provide training and training support for the Afghan National Security Forces, SIGAR recommends that CSTC-A strengthen its contracting oversight capabilities. In doing so, CSTC-A should, • obtain the management staff that has the qualifications and training to do this work, and • develop a program for contract oversight that includes visits to the field where the contractor is providing services.

CSTC-A RESPONSE:

In general, CSTC-A concurs with information provided in this report and is acting to establish the processes and requirements for the right resources to properly manage and oversee contracts. We are concerned that the report gives the impression that there is no oversight of our activities on the current large mentor contract, executed by MPRI. Specifically we provide functional, day to day operational over watch of all contractor activities. This over watch may not meet the full technical contracting aspects required and documented, but every contractor is accounted for and over watched by an operational element within CSTC-A. Second, the report suggests that the CSTC-A staff needs to visit the training sites. In fact, most of the contractors on this contract work at the Ministries of Defense and Interior and are seen by members of the command regularly. The contractors who operate outside of Kabul are watched at a commensurate level by our subordinate commands.

Efforts already initiated include a Joint Manning Document request for six additional military authorizations to stand up a contract oversight organization that will be the foundation of all CSTC-A contract oversight. CSTC-A leadership has approved and is requesting six program managers and contracting management personnel for 12 month assignments through an "out of cycle" Joint Manning Document request. If approved, personnel should be in place by Oct 09 and will be required to complete on-line and residence training for Contracting Officer's Representatives (CORs). These personnel will oversee all contracts and ensure all operating locations have personnel designated to ensure proper execution and oversight of contracts. Additionally, CSTC-A is currently projected to stand-up a section of security assistance and logistics personnel to execute end-use monitoring and property accountability according to the OSD directed policy that implements the 2008 NDAA section 1228 and DoD Instruction 4140.ff. This team will be utilized to assist with "down-range" visits and monitoring during scheduled visits to remote operating locations. CSTC-A has also initiated a request for CONUS based program management commands to provide a liaison officer

to assist in contract management in theater. Accordingly, a US Army Program Executive Office of Simulation, Training and Instrumentation (PEOSTRI) officer is projected to arrive in Jun 09 and will provide contract oversight for PEOSTRI contracting efforts. This officer is in addition to the United States Army Security Assistance Command liaison officer currently assigned. CSTC-A will pursue further liaison officers from the Defense Security Cooperation Agency and the Army Material Command's Life Cycle Management Commands for assistance in contract management of defense articles and capabilities procured through the CONUS based Foreign Military Sales system.

In addition to manning requests, the current contracting officer's technical representative (COTR) on the mentor/training contract initiated a full review of all contractor personnel to determine specific work locations and government individuals by name who have oversight responsibilities (eyes on the ground at contractors' work locations) as well as training for all functional CORs. Training includes overview of COR and COTR responsibilities. Additionally, effective for April, each functional COR is responsible to provide a monthly report of contractor performance and manning. The monthly report includes performance assessment, manning, turnover, accomplishments, surveillance, and communication with contractor personnel.

CSTC-A views the results of this report as a mechanism to help us receive the level of resourcing needed to properly conduct contracting management and oversight. We note that most of the comments address the deficiencies of CSTC-A. Because of the high turnover nature of our staff, we rely heavily on resident expertise within the Army Management Command's Life Cycle Management Commands, United States Army Security Assistance Command, Defense Contracting Management Agency, and Defense Security Cooperation Agency to assist with these complex contract-based requirements.

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SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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